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**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
COUNTY OF SAN MATEO
FOSTER CITY, CALIFORNIA
PROPOSITION 39/MEASURE L BONDS**

AUDIT REPORT

For the Fiscal Year Ended June 30, 2020

* * *



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Certified Public Accountants
1475 Saratoga Ave, Suite 180
San Jose, CA 95129

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
Proposition 39/Measure L Bonds
For the Fiscal Year Ended June 30, 2020**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Measure L Bonds Citizens' Oversight Committee and
Governing Board Members
San Mateo-Foster City School District

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure L Bonds of the San Mateo-Foster City School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

The San Mateo-Foster City School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Consistency Issue* Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure L Bonds of the San Mateo-Foster City School District, as of June 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

As discussed in Note 1, the financial statements present only the Measure L Bonds and do not purport to, and do not, present fairly the financial position of the San Mateo-Foster City School District, as of June 30, 2020, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure L Bonds of San Mateo-Foster City School District's basic financial statements. The Schedule of Revenues and Expenditures by Site is presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenditures by Site is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated January 29, 2021, on our consideration of the Measure L Bonds of San Mateo-Foster City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the San Mateo-Foster City School District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated January 29, 2021 on our consideration of the Measure L Bonds' compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Measure L Bonds for the fiscal year ended June 30, 2020 and should be considered in assessing the results of our financial audit.

C & A LLP

January 29, 2021
San Jose, California

SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Measure L Bonds

Balance Sheet

June 30, 2020

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Assets

Cash and investments	\$ 4,829,733
Due from other funds	<u>1,992,064</u>

Total Assets	<u>\$ 6,821,797</u>
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Liabilities and Fund Balance

Liabilities:

Accounts payable	<u>\$ 71,984</u>
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Fund balance:

Restricted for capital projects	<u>6,749,813</u>
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Total Liabilities and Fund Balance	<u>\$ 6,821,797</u>
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The notes to the financial statements are an integral part of this statement.

SAN MATEO-FOSTER CITY SCHOOL DISTRICT
Measure L Bonds
Statement of Revenue, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2020

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Other Local Revenues:

Interest earnings	\$ 100,534
All other local revenue	<u>321</u>

Total Other Local Revenue	<u>100,855</u>
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Expenditures:

Classified salaries	315,604
Classified benefits	130,561
Supplies and materials	4,399
Contract services	103,207
Capital outlay	<u>6,288,255</u>

Total Expenditures	<u>6,842,026</u>
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Net Changes in Fund Balance	(6,741,171)
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Fund Balance Beginning	<u>13,490,984</u>
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Fund Balance Ending	<u><u>\$ 6,749,813</u></u>
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The notes to the financial statements are an integral part of this statement.

SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Measure L Bonds

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2020

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

San Mateo-Foster City School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the U.S. Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants ("AICPA").

B. Reporting Entity

San Mateo-Foster City School District (the "District") operates under the laws of the state of California. This District operates under a locally elected five-member Board form of government and provides educational services to grades K- 8 as mandated by the state and federal agencies. The District operates 14 elementary, four middle, two K-8 school, and preschools and before and after school Annex Programs on its school sites.

In February 2008, the District voters authorized \$175 million in general obligation bonds ("Measure L") to upgrade schools, classrooms, libraries, computer labs; repair roofs, walls, floors, restrooms, wiring, heating/cooling at older schools; improve student safety and security; add classrooms at existing schools to reduce overcrowding; and improve overall quality of local elementary and middle schools.

An advisory committee to the District's Governing Board and Superintendent, the Measure L Bond Oversight Committee ("BOC") was established pursuant to the requirements of state law and the provisions of Measure L. The purpose of the BOC is to inform the public concerning the use of bond proceeds. The BOC is required by state law to actively review and report on the proper expenditure of taxpayers' money for school construction. The BOC provides oversight and advises the public as to whether the District is spending the Measure L funds for school capital improvements within the scope of projects outlined in the Measure L Bond Project List. In fulfilling its duties, the BOC reviews, among other things, the District's annual performance and financial audits of Measure L activity.

The statements presented are for the Measure L general obligation proceeds as issued by the District, through the County of San Mateo, and are not intended to be a complete presentation of the District's financial position or results of operations.

C. Basis of Presentation

Fund Financial Statements:

Fund financial statements report detailed information about the District. The Building Fund is a governmental fund and is presented as a major fund in the District's combined financial statements. The Building Fund is used to account for proceeds from the sale of real property and account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds such as Measure L general obligation bonds.

SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Measure L Bonds

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2020

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The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources, are generally included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance for the Measure L Bonds presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions:

On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value *without* directly giving equal value in return, include property taxes, grants, and entitlements. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue:

Unearned revenue arises when assets (such as cash) are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements (such as qualified expenditures) are met are recorded as liabilities from unearned revenue.

Unavailable Revenue:

In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources as unavailable revenue.

Expenditures:

On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Measure L Bonds

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2020

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E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object.

F. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated on June 30.

G. Assets, Liabilities, and Equity

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other Districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

The District's cash deposits are considered to be cash on hand and cash in banks. Cash and Cash Equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

2. Investments

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized

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Measure L Bonds
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

3. Long-Term Obligations

In the Measure L Bonds financial statements, bond premiums, discounts and bond issuance costs are recognized during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

4. Fund Balance Classifications

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- Non-spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.
- Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Superintendent.

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Measure L Bonds
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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- Unassigned includes positive fund balance that has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

5. Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

A summary of deposits as of June 30, 2020, is as follows:

Deposit or Investment	Carrying Amount	Fair Value	Investment Rating
Cash in county treasury investment pool	\$ 4,829,733	\$ 4,925,362	AA

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The District has the following recurring fair value measurements as of June 30, 2020:

- Investments in the San Mateo County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

Cash in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code

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Measure L Bonds

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2020

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Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Policies and Practices

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

- **Interest Rate Risk** - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates.
- **Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.
- **Custodial Credit Risk** - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Or, in the case of investments, the risk of loss of the investment due failure, impairment or malfeasance of the third party whose name in which the investment is held and who has physical possession of the instrument. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.
- **Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's investment policy contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code.

SAN MATEO-FOSTER CITY SCHOOL DISTRICT**Measure L Bonds****Notes to the Financial Statements****For the Fiscal Year Ended June 30, 2020****DRAFT**

Although authorized to invest in more vehicles, the District manages its investment risks by limiting its investments to the County Pool.

NOTE 3 – MEASURE L GENERAL OBLIGATION BOND

The following schedule summarizes the District's Measure L general obligation bonds as of June 30, 2020:

Description	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding		Redeemed /Refunded	Bonds Outstanding
					July 01, 2019	Issued		June 30, 2020
2008 GOB, Series A	2/23/2010	8/1/2042	2.9-6.6%	\$ 54,999,413	\$ 54,804,215	\$ -	\$ 89,446	\$ 54,714,769
2008 GOB, Series Q	7/14/2010	8/1/2026	6%	25,000,000	24,090,000	-	520,000	23,570,000
2008 GOB, Series C	11/20/2012	8/1/2039	2-5%	35,000,000	24,070,000	-	2,000,000	22,070,000
2008 GOB, Series D	10/22/2015	8/1/2044	2-5%	60,000,000	59,360,000	-	59,360,000	-
2020 GORB	4/28/2020	8/1/2045	2.0-5.0%	146,705,000	-	146,705,000	-	146,705,000
Subtotal General Obligation Bonds				321,704,413	162,324,215	146,705,000	61,969,446	247,059,769
Accreted Interest:								
2008 GOB, Series A				-	42,867,254	6,544,256	169,598	49,241,912
Unamortized Bond Premium				6,959,251	5,539,951	-	2,260,815	3,279,136
Total Bond Related Debt				<u>\$ 328,663,664</u>	<u>\$ 167,864,166</u>	<u>\$ 146,705,000</u>	<u>\$ 64,230,261</u>	<u>\$ 250,338,905</u>

Repayment of the bonds will be funded by a separate property tax override levied on property residing within the District boundaries. Property tax revenues will be recorded in a separate Bond Interest and Redemption Fund. The required debt service payments on the bonds will be disbursed from the Bond Interest and Redemption Fund as well. This Bond and Redemption Fund maintained by the San Mateo County Controller's Office and recorded in the District's Debt Service funds is not included in these financial statements. General school district revenues will not be required to fund the debt service on the bonds.

General Obligation Bonds, Election 2008, Series A

In February 2010, the District issued \$54,999,413 of general obligation bonds, Election of 2008, Series A. The bonds were authorized at an election of the registered voters of the District held on February 5, 2008, which authorized the issuance of \$175,000,000 principal amount of general obligation bonds for the purpose of financing the renovation and modernization of school facilities. The Bonds are the first series of bonds to be issued under this authorization.

The following schedule summarizes net proceeds from the bond issuance in February of 2010:

Par Value	\$ 54,999,413
Premium (Discount)	1,265,867
Cost of Issuance Expense	(464,029)
Net Proceeds	<u>\$ 55,801,250</u>

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Measure L Bonds
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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The following is a summary of the annual debt service requirements as of June 30, 2020:

Fiscal Year Ended June 30,	Principal*	Interest	Total
2021	\$ 101,359	\$ 229,613	\$ 330,972
2022	119,415	287,592	407,007
2023	120,400	362,159	482,559
2024	140,282	1,307,911	1,448,193
2025	258,973	2,285,157	2,544,130
2026-2030	4,085,528	41,386,640	45,472,168
2031-2035	10,799,002	61,023,089	71,822,091
2036-2040	19,900,800	69,164,301	89,065,101
2041-2045	19,189,010	36,754,094	55,943,104
Total Debt Service	\$ 54,714,769	\$ 212,800,556	\$ 267,515,325

General Obligation Bonds, Election 2008, Series Q

In July 2010, the District issued \$25,000,000 General Obligation Bonds, Election of 2008, Series Q, under the Federal Taxable Direct-Pay Qualified School Construction Bonds (QSCB) pursuant to a resolution adopted by the Board on June 17, 2011. The Bonds were authorized at an election of the registered voters of the District held on February 5, 2008, which authorized the issuance of \$175,000,000 principal amount of general obligation bonds for the purpose of financing the renovation and modernization of school facilities. This issue of the Bonds is the second series of bonds to be issued under this authorization. The issuance will save approximately \$12.9 million to the District's taxpayers in property tax levy.

The following schedule summarizes net proceeds from the bond issuance in July of 2010:

Par Value	\$ 25,000,000
Premium (Discount)	(112,500)
Net Proceeds	\$ 24,887,500

The following is a summary of the annual debt service requirements as of June 30, 2020:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	\$ 655,000	\$ 1,394,550	\$ 2,049,550
2022	850,000	1,349,400	2,199,400
2023	945,000	1,295,550	2,240,550
2024	1,215,000	1,230,750	2,445,750
2025	6,370,000	1,003,200	7,373,200
2026-2030	13,535,000	820,950	14,355,950
Total Debt Service	\$ 23,570,000	\$ 7,094,400	\$ 30,664,400

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Notes to the Financial Statements
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General Obligation Bonds, Election 2008, Series C

In November 2012, the District issued \$35,000,000 of general obligation bonds, Election of 2008, Series C. The Bonds were authorized at an election of the registered voters of the District held on February 5, 2008, which authorized the issuance of \$175,000,000 principal amount of general obligation bonds for the purpose of financing the renovation and modernization of school facilities. This issue of the Bonds is the third series of bonds to be issued under this authorization.

The following schedule summarizes net proceeds from the bond issuance in November of 2012:

Par Value	\$ 35,000,000
Premium (Discount)	3,412,876
Underwriter's Discount	(157,500)
Cost of Issuance Expense	(206,000)
Net Proceeds	<u>\$ 38,049,376</u>

The following is a summary of the annual debt service requirements as of June 30, 2020:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	\$ 2,170,000	\$ 796,444	\$ 2,966,444
2022	2,320,000	706,644	3,026,644
2023	2,540,000	596,744	3,136,744
2024	2,710,000	485,819	3,195,819
2025	505,000	425,769	930,769
2026-2030	2,995,000	1,724,794	4,719,794
2031-2035	3,285,000	1,271,197	4,556,197
2036-2040	5,545,000	523,336	6,068,336
Total Debt Service	<u>\$ 22,070,000</u>	<u>\$ 6,530,747</u>	<u>\$ 28,600,747</u>

General Obligation Bonds, Election 2008, Series D

In October 2015, the District issued \$60,000,000 of general obligation bonds, Election of 2008, Series D. The Bonds were authorized at an election of the registered voters of the District held on February 5, 2008, which authorized the issuance of \$175,000,000 principal amount of general obligation bonds for the purpose to acquire, repair and construct certain equipment, sites and facilities of the District and to pay the costs associated with the issuance of the Bonds. This issue of the Bonds is the fourth series of bonds to be issued under this authorization. These bonds were fully refunded during the fiscal year ended June 30, 2020 by the Revenue Bonds, Series 2020.

2020 General Obligation Refunding Bonds

In April 2020, the District issued \$146,705,000 of general obligation refunding bonds for the purpose of refunding the Revenue Bonds, Election 2008, Series D (Measure L Bonds) and the Revenue Bonds, Election 2015, Series A (Measure X Bonds).

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Measure L Bonds
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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The following is a summary of the annual debt service requirements as of June 30, 2020:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	\$ 2,390,000	\$ 2,635,340	\$ 5,025,340
2022	5,145,000	3,730,882	8,875,882
2023	6,700,000	3,664,635	10,364,635
2024	4,925,000	3,594,533	8,519,533
2025	1,070,000	3,555,777	4,625,777
2026-2030	9,145,000	17,376,492	26,521,492
2031-2035	18,065,000	15,925,280	33,990,280
2036-2040	29,495,000	12,932,864	42,427,864
2041-2045	69,770,000	5,901,883	75,671,883
Total Debt Service	\$ 146,705,000	\$ 69,317,686	\$ 216,022,686

NOTE 4 – COMMITMENTS

There were \$2,722,059 of construction commitments in the District's Measure L Bond Program as of June 30, 2020.

NOTE 5 - COVID-19 PANDEMIC IMPACT

In December 2019, a novel strain of coronavirus surfaced (COVID-19) and spread around the world, with resulting business and social disruption. In response to the pandemic, and in compliance with various state and local ordinances, the District closed physical campuses and transitioned to a distance learning model. On March 13, 2020, the Governor of California issued Executive Order N-26 – 20, guaranteeing state funding to support the continued payment of salaries and benefits to all employees through June 30, 2020.

The operations and business results of the District could be materially and adversely affected in the future, including a reduction in the level of funding and potential impacts from the timing of cash flows. In addition, significant estimates may be materially and adversely impacted by national, state and local events designed to contain the coronavirus. Debt ratings for outstanding issuances may further be impacted. For the 2020-2021 fiscal year, the District is offering instruction in formats consistent with local health guidelines. Throughout the pandemic the District has put into practice a number of safety measures to protect students and employees and will continue to revise them as needed.

SUPPLEMENTARY INFORMATION

SAN MATEO-FOSTER CITY SCHOOL DISTRICT
Measure L Bonds
Schedule of Revenues and Expenditures by Site
For the Fiscal Year Ended June 30, 2020

DRAFT

Revenues:

Interest Earnings	\$ 100,534
All other local revenue	<u>321</u>

Total Revenues	<u>100,855</u>
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Site/Project Description:

Abbott Middle School	788,046
Borel Middle School	107,138
Districtwide	388,948
George Hall	862,601
New School In Foster City	4,199,212
San Mateo Park	<u>496,081</u>

Total Expenditures	<u>6,842,026</u>
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Net Changes in Fund Balance	(6,741,171)
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Fund Balance Beginning	<u>13,490,984</u>
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Fund Balance Ending	<u><u>\$ 6,749,813</u></u>
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The notes to the supplementary information are an integral part of this schedule.

SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Measure L Bonds

Notes to the Supplementary Information For the Fiscal Year Ended June 30, 2020

DRAFT

NOTE 1 - THE PROGRAM

In February 2008, the voters of the District approved by more than the required 55% favorable vote the San Mateo-Foster City Elementary School District 2008 School Bond ("Measure L"), authorizing the issuance and sale of general obligation bonds, not to exceed \$175,000,000. Measure L is a Proposition 39 bond. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed in the full text of the Measure L ballot as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for bond-designated facilities projects.

Measure L bonds were issued by the District, through the County of San Mateo. On February 23, 2010, an Election of 2008, Series A bond authorization was issued, which consisted of serial capital appreciation bonds with an initial par amount of \$1,295,941, maturing through August 1, 2025 to a maturity value of \$4,770,000. Also, on the same date, the District issued serial convertible capital appreciation bonds, with an initial par amount of \$2,506,123, which convert on August 1, 2023 to current interest bonds, a \$5,420,000 value, with interest rates between 5.625-5.750%. Additionally, the District issued term serial convertible capital appreciation bonds, with an initial par amount of \$51,197,349, which convert on August 1, 2023 and August 1, 2026 to current interest bonds, a \$143,575,000 value, with interest rates between 6.125-6.625%.

July 14, 2010, Election of 2008, Series Q, Measure L bond authorization was issued and was designated as qualified school construction bonds under Section 54F of the Internal Revenue Code of 1986. These bonds provide a federal subsidy to the District which significantly decreases overall interest cost. The bonds were issued with initial par amount of \$25,000,000, with stated interest rates of 6% and maturing through August 1, 2026. For Measure L, the District has elected to conform to the requirements of low bid construction delivery, as opposed to an alternate model such as lease-leaseback. In doing so, the District has likely increased the degree of the program's cost accountability.

On November 20, 2012, an Election of 2008, Series C bond authorization was issued, which consisted of general obligation bonds with an initial par amount of \$35,000,000, maturing through August 1, 2040 to a maturity value of \$49,460,071, with interest rates between 2-5%.

On October 22, 2015, an Election of 2008, Series D bond authorization was issued, which consisted of general obligation bonds with an initial par amount of \$60,000,000, maturing through August 1, 2044 to a maturity value of \$119,237,166, with interest rates between 2-5%.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Measure L including formation, composition and purpose of the Bond Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Measure L Bonds

Notes to the Supplementary Information For the Fiscal Year Ended June 30, 2020

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NOTE 2 - ORGANIZATION

The San Mateo-Foster City School District was established in 1948. The District is located in San Mateo County and there were no changes in District boundaries during the year. The District operates fifteen elementary schools, three middle schools, two K-8 school and one Before and After School Children Annex. The Board of Education for the fiscal year ended June 30, 2020, was comprised of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Noelia Corzo	President	2020
Kenneth Chin	Vice President	2022
Rebecca Hitchcock	Clerk	2020
Shara Watkins	Trustee	2020
Alison Proctor	Trustee	2022

NOTE 3 - CITIZENS' OVERSIGHT COMMITTEE

Duties of the committee include verifying that bond revenues were expended only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities. The committee must also verify that no funds were used for any teacher or administrative salaries or other school operation expenses.

Furthermore, the committee is authorized to receive and review copies of the annual independent performance audit and the annual independent financial audit required by Article XIII A, Section 1(b)(3)(C) and Article XIII A, Section 1(b)(3)(D), respectively, of the California Constitution.

The committee was formed by the Board trustees as required by state law. The Citizens' Oversight Committee was comprised of the following members during the fiscal year ended June 30, 2020:

<u>Name</u>	<u>Title/Function</u>	<u>Representation</u>
Julie Scanlon	Chair Member	Community at Large
Fred Baer	Member	Senior Citizen Organization
Alber DiMatteo	Member	Community at Large
Eric Holm	Member	Taxpayer Organization
Annanth Kadambi	Member	Parent w/Child and member of PTA
Ryan Nobrega	Member	Parent w/Child in Dist.
Wayne Pitcher	Member	Senior Citizen Organization
Randy Raphael	Member	Community at Large
Charlie Royce	Member	Business Community Active Member
James E. Sell	Member	Community at Large

**SCHEDULE OF FINDINGS
AND
RECOMMENDATIONS**

SAN MATEO-FOSTER CITY SCHOOL DISTRICT
Measure L Bonds
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2020

DRAFT

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the program statements that are required to be reported in accordance with *Government Auditing Standards*.

Our tests resulted in no findings and recommendations.

SAN MATEO-FOSTER CITY SCHOOL DISTRICT
Measure L Bonds
Schedule of Prior Year Findings and Recommendations
For the Fiscal Year Ended June 30, 2020

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There were no prior year findings and recommendations to be reported.

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OTHER INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Measure L Bonds Citizens' Oversight Committee and
Governing Board Members
San Mateo-Foster City School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure L Bonds of the San Mateo-Foster City School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise San Mateo-Foster City School District's Measure L Bonds financial statements, and have issued our report thereon dated January 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the San Mateo-Foster City School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the San Mateo-Foster City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the San Mateo-Foster City School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the San Mateo-Foster City School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which



could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

January 29, 2021
San Jose, California



**INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE AND COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON THE MEASURE L BOND PROGRAM**

Measure L Bonds Citizens' Oversight Committee and
Governing Board Members
San Mateo-Foster City School District

Compliance

We have audited the San Mateo-Foster City School District's (the District) compliance with Measure L Bond of the February 5, 2008 election, as approved under Proposition 39, and with the performance requirements referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution and the enactment of AB 1908 (Chapter 44, Statutes of 2000).

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the laws and regulations identified above based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the laws and regulations have occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Audit Objectives

Our audit included the following objectives:

1. To obtain reasonable assurance that the proceeds of the sale of the Measure L Bonds were only used for the purposes set forth in the ballot measure and not for any other purpose, such as teacher and administrative salaries.
2. To obtain reasonable assurance that the Governing Board of the District, in establishing the approved projects set forth in the ballot measure, evaluated the remodeling, new construction and renovations of items which will relieve overcrowding, repair local schools and improve student safety conditions of the District.



3. To obtain reasonable assurance that the District complied with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with these requirements.

Scope and Methodology

To meet the objectives of our performance audit, procedures we performed included, but were not limited to, the following scope and methodology:

1. We documented and tested controls over financial reporting and compliance specific to the Measure L Bonds which included inquiries about separation of duties, account coding, timekeeping, pay rates and procurement.
2. We selected two out of five contracts and verified that the District followed California Uniform Construction Cost Accounting Commission bid requirements, and that their invoices were paid within the contract terms and with board approval.
3. We tested payments made to the architectural service companies and reviewed the terms of the contract.
4. We tested approximately 98% of the 2019-20 expenditures to ensure they were valid, allowable and accurate.
5. We verified that the funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects.
6. We verified that the funds used to pay the salaries of district employees were allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.
7. We verified that the District was in compliance with Assembly Bill 1908 and Ed Code Section 15278, where the District is required to establish a bond oversight committee for Proposition 39 bonds that includes one active member from each of the following sectors: a business organization, senior citizens' organization, bona fide taxpayer's association, and one parent/guardian of a child enrolled in the District and one parent/guardian of a child enrolled in the District who is also a member of a parent teacher association.
8. We verified the Citizens' Oversight Committee met pursuant to Education Code Section 15280.

Results of Procedures Performed

We did not identify any exceptions to the procedures performed above, nor any exceptions to other tests that we conducted related to the Measure L Bonds. Our audit of compliance was made for the purposes set forth in the Objectives section of this report and would not necessarily disclose all instances of noncompliance.



Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Measure L Bond program for the fiscal year ended June 30, 2020.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing over compliance and the results of that testing based on the standards referred to above. Accordingly, this report is not suitable for any other purpose.

C & A LLP

January 29, 2021
San Jose, California